

Message Text

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ACTION AF-10

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FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02
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STR-07 CEA-01 INT-05 AGR-01 /117 W
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R 151122Z AUG 78
FM AMEMBASSY CONAKRY
TO SECSTATE WASHDC 4631
INFO USDOC WASHDC
AMEMBASSY ABIDJAN
AMEMBASSY ALGIERS
AMEMBASSY BISSAU
AMEMBASSY DAKAR
AMEMBASSY FREETOWN
AMEMBASSY LAGOS
AMEMBASSY MONROVIA
AMEMBASSY PARIS

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E.O. 11652: N/A
TAGS: EINV, EMIN, GV, OVIP (MOOSE, RICHARD M.)
SUBJECT: MOOSE VISIT TO GUINEA: DISCUSSION WITH MINECONOMICS
AND FINANCE ISMAEL TOURE

REF: (A) CONAKRY 884, (B) CONAKRY 679

1. SUMMARY: ASSISTANT SECRETARY MOOSE MET WITH PRESIDENT TOURE'S HALF-BROTHER, MINISTER OF DOMAIN OF ECONOMICS AND FINANCE ISMAEL TOURE, AUGUST 3. LATTER PROVIDED IMPRESSIVE SURVEY OF GOG PLANS FOR INDUSTRIAL DEVELOPMENT AND SET FORTH PRINCIPLES, MODELED AFTER CBG, ON BASIS OF WHICH GUINEA HOPES TO ATTRACT ADDITIONAL US INVESTMENT. TOURE WAS OPTIMISTIC ABOUT US STEEL
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PARTICIPATION IN MIFERGUI-NIMBA, BUT ALLOWED THERE IS UNRESOLVED PROBLEM WITH IBRD OVER FINANCING OF INFRASTRUCTURE. END SUMMARY.

2. MEETING WITH ISMAEL TOURE AUGUST 3 WAS SUBSTANTIVE AND BUSINESSLIKE. TOURE EMPHASIZED STRONG GOG INTEREST IN EXPANDING ECONOMIC COOPERATION WITH THE US. CITING

THE CASE OF COMPAGNIE DES BAUXITES DE GUINEE (CBG) IN WHICH ALCOA AND MARTIN-MARIETTA PLAY A MAJOR ROLE, TOURE STRESSED THE BENEFIT BOTH GOG AND FOREIGN PARTNERS DERIVE FROM SUCH MIXED ENTERPRISE. HE REGARDS BDG AS MODEL FOR FUTURE GUINEAN DEVELOPMENT EFFORTS, AS IT PROVIDES PRACTICAL ARRANGEMENT UNDER WHICH FOREIGN CAPITAL CAN BE ATTRACTED TO GUINEA AND GOG CAN SHARE IN OWNERSHIP AND DIRECTION TO ENSURE COMPATIBILITY WITH ITS OWN GOALS, WHICH TOURE LABELED "NON-CAPITALIST". TOURE CITED AS KEY FEATURES OF CBG-TYPE ARRANGEMENT:

A. 50-50 OWNERSHIP OF ENTERPRISE AND REPRESENTATION ON BOARD OF DIRECTORS. EACH FOREIGN COMPANY PARTICIPATING IN THE CONSORTIUM IS REPRESENTED ON THE BOARD, AND GOG HAS REPRESENTATIVES EQUAL TO TOTAL NUMBER OF FOREIGNERS.

B. PROFIT IS DIVIDED 65 PERCENT TO GOG, 35 PERCENT TO FOREIGN PARTNERS.

C. FOREIGN PARTNERS PROVIDE TECHNICAL KNOW-HOW AND MANAGEMENT.

D. VIGOROUS PROGRAM OF AFRICANIZATION AIMS AT FILLING ALL COMPANY POSITIONS BY QUALIFIED GUINEANS IN SIX YEARS. (COMMENT: IN PRACTICE, AFRICANIZATION IS PURSUED FLEXIBLY LIMITED OFFICIAL USE

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SO AS NOT TO INTERFERE WITH PRODUCTION).

E. TRANSPORTATION FOR ONE-HALF OF THE OUTPUT OF THE ENTERPRISE IS TO BE PROVIDED BY GOG AND HALF BY FOREIGN PARTNERS.

F. THERE IS INTENTION TO FOLLOW UP AS SOON AS POSSIBLE WITH IN-COUNTRY PROCESSING OF RAW MATERIALS, E.G., PRODUCTION OF ALUMINA (AND EVENTUALLY ALUMINUM) FROM GUINEAN BAUXITE. (TOURE SAID THAT GUINEA'S POTENTIAL FOR PRODUCTION OF HYDRO-ELECTRIC POWER SHOULD MAKE POSSIBLE THE SMELTING OF 150 THOUSAND TONS OF ALUMINUM PER YEAR, EVENTUALLY RISING TO 300,000 TONS.)

G. FOREIGN PARTNERS PLAY MAJOR ROLE IN ASSEMBLY FINANCING FROM NATIONAL AND INTERNATIONAL DEVELOPMENT ASSISTANCE BANKS, GOVERNMENT ECONOMIC ASSISTANCE SUCH AS AID AND PL-480, PRIVATE BANKING SOURCES, ETC.

H. COORDINATING ORGANIZATION (OFAB) HAS FACILITATED DEVELOPMENT AND OPERATION OF INFRASTRUCTURAL SERVICES FOR CBG AND MIGHT BE USEFUL FOR OTHER MIXED ENTERPRISES.

(NOW THAT CBG IS WELL ESTABLISHED, GOG IS GOING TO TURN OVER TO IT MANAGEMENT OF RAILROAD, PORT FACILITIES AND OTHER OFAB INFRASTRUCTURAL SERVICES).

3. REGARDING MIFERGUI-NIMBA IRON ORE PROJECT, TOURE SAID US STEEL IS TALKING IN TERMS OF TAKING 15 PERCENT SHARE OF THE STOCK AND 4 MILLION TONS OF IRON ORE (OUT OF TOTAL 15 MILLION TONS PER YEAR). FORMAL US STEEL DECISION IS EXPECTED BEFORE DECEMBER 4, 1978, MEETING AT WHICH MIFERGUI-NIMBA PARTNERS WILL GO OVER KAISER FEASIBILITY STUDY, TAKE FORMAL DECISION TO GO AHEAD, AND PROCEED WITH SETTING UP OF FINANCING. TOURE SAID PRINCIPAL UNRESOLVED PROBLEM CONCERNS IBRD FINANCING OF INFRASTRUCTURE. GUINEA SEEKS \$100 MILLION FROM IBRD LIMITED OFFICIAL USE

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AND WOULD LIKE TO HAVE THE SAME FINANCIAL TERMS AS WERE GIVEN FOR CBG PLANT AND INFRASTRUCTURE: 20-YEAR LOAN AT 7-1/2 PERCENT WITH A FOUR-YEAR MORATORIUM. HOWEVER, IBRD IS THIS TIME DISTINGUISHING BETWEEN PLANT AND INFRASTRUCTURE AND OFFERS ONLY 10-YEAR LOAN AT 9 PERCENT FOR INFRASTRUCTURE SEGMENT. TOURE MAINTAINED THAT IF INFRASTRUCTURE COST WAS TOO HIGH, ENTIRE PROJECT MIGHT BE LOST. WITH REGARD TO TRANSPORTATION ARRANGEMENTS, TOURE SAID AGREEMENT IN PRINCIPLE ON THE USE OF LAMCO RAILROAD TO BUCHANAN WAS SIGNED WITH LIBERIAN GOVERNMENT IN 1973 AND THAT THE FREIGHT RATE (\$3.25 PER TON) HAD NOW BEEN AGREED WITH LAMCO, ALTHOUGH NOT YET FORMALLY SIGNED.

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4. TOURE OBSERVED THAT GUINEA HAD RECEIVED LITTLE COOPERATION FROM EXIM BANK BUT HE HOPES TO CHANGE THIS AND IS TRYING TO OBTAIN FOR EXIM THE SAME INFORMATION REGARDING GUINEA'S FOREIGN EXCHANGE AND DEBT SITUATION AS HAS BEEN PROVIDED IBRD AND IMF. IF THIS IS SUCCESSFUL, HE LOOKS FORWARD TO EXIM SUPPORT, WHICH HE EXPECTED COULD PROVIDE MORE ADVANTAGEOUS TERMS THAN IBRD.

5. TOURE WAS PLEASED WITH JULY 9-11 MEETING WITH REYNOLDS METALS AND ALGERIAN AND YUGOSLAV REPRESENTATIVES REGARDING DABOLA BAUXITE/ALUMINA PROJECT. HE SAID REYNOLDS IS TO BUILD AND MANAGE PROJECT AND IS PREPARED TO TAKE 200,000 TONS OF ALUMINA AND 1 MILLION TONS OF BAUXITE PER YEAR. GOG WILL BE LOOKING FOR ADDITIONAL PARTNERS
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TO INCREASE AMOUNT OF OUTPUT FOR WHICH THERE IS AN ASSURED MARKET. PARTNERS WILL MEET AGAIN IN JANUARY 1979 TO ESTABLISH MIXED ENTERPRISE AND INITIATE ACTION ON THE PROJECT.

6. TOURE SPOKE OF HIS HOPE TO UNDERTAKE SOYBEAN PRODUCTION ON PLANTATION BASIS AND SAID THIS AND OTHER AGRICULTURAL PROJECTS SUCH AS PINEAPPLE, BANANAS, COFFEE OFFER PROMISING POSSIBILITIES. AMBASSADOR POINTED OUT IMPORTANCE OF TIMING IN TRANSPORTING PERISHABLE PRODUCTS AND SUGGESTED DESIRABILITY OF OFAB-TYPE COORDINATING ORGANIZATION TO ASSURE RAPID AND EFFICIENT TRANSPORT OF PRODUCT TO PLANE-SIDE OR SHIP-SIDE.

7. TOURE SAID HE WAS GOING TO ABIDJAN AUGUST 10 TO MAKE FIRST SUBSTANTIVE CONTACT WITH IVORY COAST ON ECONOMIC COOPERATION PURSUANT TO NORMALIZATION OF RELATIONS. HE SAID THIS WAS WITHIN FRAMEWORK OF ECOWAS, FOR WHICH HE EXPRESSED SUPPORT.

8. COMMENT: ISMAEL TOURE PROVIDES MOST OF THE DRIVE

FOR GUINEAN INDUSTRIAL DEVELOPMENT. A PERENNIAL OPTIMIST, HE IS ASSUMING A FAVORABLE DECISION FROM US STEEL ON MIFERGUI-NIMBA AND FROM REYNOLDS ON DABOLA. HIS OPTIMISM SEEMS JUSTIFIED IN THE MIFERGUI CASE, BUT THERE MAY BE PROBLEMS ON DABOLA PROJECT. ONLY 400,000 TONS OF DABOLA ALUMINA ARE SPOKEN FOR AT PRESENT. REYNOLDS INFORMED EMBASSY THAT 1 MILLION TONS WOULD BE NECESSARY FOR A PROFITABLE OPERATION, AND THEY WOULD NOT WANT TO PARTICIPATE IN A SMALLER UNDERTAKING. ALGERIAN AMBASSADOR HOCINE HAS TOLD US THAT IN JANUARY REYNOLDS WILL BE PRESSED TO GO AHEAD ON THE BASIS OF ONLY 700,000 TONS. END COMMENT.

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